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Message Text

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ACTION OPIC-06

INFO OCT-01 AF-10 NEA-10 ISO-00 EB-08 COME-00 TRSE-00
OMB-01 AID-05 FRB-03 XMB-02 /046 W
----------122126 241720Z /43
P R 241630Z MAR 78
FM AMEMBASSY RABAT
TO SECSTATE WASHDC PRIORITY 4932
INFO AMEMBASSY DAKAR

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DEPT PASS OPIC FOR SMITH AND HENDERSON FROM TREADWELL
DAKAR FOR TREADWELL

E.O. 11652: N/A
TAGS: EINV OVIP MO
SUBJECT: PROPOSED OPIC INVESTMENT MISSION TO MOROCCO

REF: STATE 073311

1. HAVE COMPLETED FOUR DAYS OF MEETINGS IN CASABLANCA AND RABAT WITH EMBASSY AND CONSULATE OFFICIALS, U.S. BANKERS, U.S. CORPORATE EXECUTIVES (OPIC INSURANCE CUSTOMERS), MOROCCAN ENTREPRENEURS, AND MIDDLE LEVEL GOVERNMENT OFFICIALS AND HAVE FOUND ENOUGH NEGATIVE FACTORS IN THE INVESTMENT CLIMATE TO WARRANT CAUTION IN PLANNING AN INVESTMENT MISSION TO INCLUDE MOROCCO AT THIS TIME. ASSESSMENT OF PROBABLY SUCCESS OF MISSION WILL REQUIRE FURTHER INQUIRIES ON PART OF OPIC. I WILL BE PRESSING FURTHER FOR ANSWERS ON FRIDAY, MARCH 24.

2. MEANWHILE, EMBASSY FEELS THAT ALTHOUGH GOM OFFICIALLY WELCOMES INCREASED U.S. FOREIGN INVESTMENT IN MOROCCO, IT HAS NOT MADE THE ADMINISTRATIVE AND FINANCIAL COMMITMENT IN SUPPORT OF A SERIOUS EFFORT TO ATTRACT U.S. INVESTORS. MOREOVER, A NUMBER OF U.S. LOCAL MANUFACTURING SUBSIDIARIES
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ARE ENCOUNTERING A VARIETY OF ADMINISTRATIVE PROBLEMS IN THEIR DEALINGS WITH GOM (SEE BELOW), AND ARE ONLY TOO WILLING TO SHARE THEIR VIEWS WITH POTENTIAL NEW INVESTORS WHENEVER LATTER MAKE LOCAL INQUIRIES. DANGER FOR OPIC WOULD BE TO OVERSELL MOROCCO TO U.S. INVESTORS ON THE MISSION, THEN TO LOSE CREDIBILITY IF MISSION IS ONLY MARGINALLY USEFUL TO MISSION PARTICIPANTS.

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3. THE FOLLOWING FACTORS WEIGHT NEGATIVELY AGAINST MOROCCO:
(A) NET DISINVESTMENT IN 1977 BY U.S. FIRMS AS POINTED OUT
IN CASABLANCA A-01.
(B) U.S. TIRE FIRMS, GOODYEAR AND GENERAL, WHICH I INTERVIEWED
ARE EXTREMELY DISPLEASED FOR A VARIETY OF REASONS WITH THEIR
TREATMENT BY GOVERNMENT. ONE U.S. OFFICIAL SAID HE COULD NOT
IN GOOD CONSCIENCE RECOMMEND THAT ANOTHER U.S. FIRM INVEST
IN MOROCCO.
(C) EMBASSY REPORTS THAT HEINZ STILL CONFRONTED WITH
TROUBLESOME EXPORT TAXES AND QUALITY CONTROL CHARGES,
WHICH IF NOT RESOLVED COULD LEAD TO ITS WITHDRAWAL AFTER
THE 1978/9 CROP YEAR. KING RANCH ALSO FRUSTRATED BY GOM
LACK OF ACTION TO UNDERTAKE SIGNIFICANT AND URGENTLY NEEDED
RECAPITALIZATION OF RANCH ADAROUCH, KING RACH'S LOCAL JOINT
VENTURE WITH GOM.
(D) CONTINENTAL ILLINOIS IS PULLING OUT OF ITS AFFILIATE
BANK HERE THIS YEAR BECAUSE OF MARGINAL UTILITY.
(E) AMBASSADOR ANDERSON HAS BEEN ENCOURAGING MOROCCANS TO
SET UP AN INVESTMENT PROMOTION OFFICE IN THE U.S. BUT TO NO
AVAIL. HE DOUBTS THAT UNIDO PROGRAM TRAINING WILL RESULT
IN ESTABLISHMENT OF AN OFFICE.
(F) MOROCCAN GOVERNMENT AGENCY, OFFICE POUR LE DEVELOPPEMENT
INDUSTRIEL (ODI), IS IN THE PROCESS OF HIRING KEARNS
INTERNATIONAL FOR AN INTENSIVE U.S. PROMOTIONAL EFFORT.
KEARNS PLANS TO RUN FOUR INVESTMENT-TYPE MISSIONS TO MOROCCO
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AFTER CONTRACT TAKES EFFECT, WHICH EMBASSY UNDERSTANDS WILL
BE IN JUNE 1978. OPIC MAY BE COMPETING FOR SAME CLIENTELE.

4. THERE ARE BRIGHT SPOTS IN THE MOROCCAN PICTURE, HOWEVER.
I WAS IMPRESSED WITH THE LOCAL BUSINESSMEN THAT I MET IN
CASABLANCA. FURTHER, LOGISTICALLY, AN INVESTMENT MISSION
WOULD BE VERY DOABLE IN MOROCCO CONSIDERING THE EXCELLENT
TRANSPORTATION, HOTELS AND INFRASTRUCTURE. FINALLY,
POSITIVE DEVELOPMENTS HAVE TAKEN PLACE FOR MOTOROLA, WHICH
NOW PLANS TO GO AHEAD WITH ITS ELECTRONICS FACTORY.

5. EMBASSY WELCOMES SMITH'S PRESENCE AT E/C CONFERENCE IN
TANGIER AND LOOKS FORWARD TO HIS SUBSEQUENT VISIT TO RABAT.
IN VIEW OF WIDE RANGER OF MATTERS TO BE DISCUSSED BY
CONFERENCE, I SUGGEST SMITH REMAIN AT CONFERENCE IN TANGIER
THROUGH THURSDAY EVENING, AS VALUABLE SESSIONS RELATING TO
EXPORT FINANCING, TRADE PROMOTION, AND EXPORT DEVELOPMENT
PROGRAM MIGHT OTHERWISE BE MISSED. SMITH COULD THEN TRAVEL TO
RABAT TO SOUND OUT SENIOR LEVEL INVESTMENT-RELATED OFFICIALS
(ESPECIALLY PRESIDENT-DIRECTOR GENERAL OF BNDE, FORMER FINANCE
MINISTER BENSLIMANE AND ODI DIRECTOR GENERAL BELKHAYAT) AND
POSSIBLE SOCIAL EVENTS ON FRIDAY. SMITH WOULD NOT HAVE TO GO

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TO CASABLANCA ON OFFICIAL BUSINESS AND COULD GO DIRECTLY TO
MARRAKECH FOR TOURISM FOLLOWING FRIDAY PROGRAM IN RABAT.

6. ACTION REQUESTED. (A) RE SMITH'S TRAVEL PLANS IN MOROCCO,
IS FOREGOING PROPOSAL ACCEPTABLE? IF SO, EMBASSY WILL
UNDERTAKE TO TRANSPORT SMITHS TO RABAT FROM TANGIER BY CAR
LATE AFTERNOON OF THURSDAY, APRIL 6, AND ALSO PUT TOGETHER
FRIDAY PROGRAM OF VISITS IN RABAT. EMBASSY WOULD THEN ARRANGE
FOR SMITHS TRANSPORTATION TO CASABLANCA AIRPORT APRIL 8 IN
TIME TO TAKE 1540 PLANE TO MARRAKECH, AS INDICATED PARA 4
REFTEL. PLEASE ADVISE EMBASSY SOONEST. (B) RE INVESTMENT
MISSION, IT WOULD BE USEFUL FOR SMITH AND TREADWELL OR
SMITH AND HENDERSON TO CALL ON MOROCCAN EMBASSY TO SOUND OUT
THEIR VIEWS ON WHAT AN INVESTMENT MISSION COULD ACCOMPLISH
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AND WHAT INDUSTRIES SHOULD BE TARGETTED PRIOR TO SMITH.S
VISIT. TREADWELL WILL BE AVAILABLE NEXT WEEK ON WEDNESDAY,
MARCH 29 AND FRIDAY, MARCH 31 FOR SUCH A MEETING, AND CAN
BE CONTACTED AT HOTEL CASABLANCA UNTIL MORNING, MARCH 26.
ANDERSON

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